

UNCLASSIFIED

Iraq

Status Report

October 13, 2010



Bureau of Near Eastern Affairs
U.S. Department of State

UNCLASSIFIED



TABLE OF CONTENTS

HIGHLIGHTS	3
POLITICAL	
• Governance & Legislation	4
SECURITY	
• Situation Update	10
ECONOMIC	
• Oil	11
• Fiscal and Monetary Affairs	12
• Public Services	14
• Industry Spotlight: Engineering	15
• Private Sector	16
DIPLOMATIC	
• Political Engagement	18
BAGHDAD & BEYOND	19
Contact Information, Notes and Source Citations	20

HIGHLIGHTS



- **Allawi's Opposition to Power-sharing with Maliki Softening (*POLITICAL*, page 4)**
- **Mandate for Military Action against PKK in Northern Iraq Approved by Turkish Parliament (*SECURITY*, page 10)**
- **U.S. Trade Official Visits Iraq, Encourages American Firms to Invest (*ECONOMIC*, page 16)**
- **U.S. Ambassador to Iraq Meets with Foreign Minister (*DIPLOMATIC*, page 18)**

POLITICAL – Governance & Legislation



Government formation negotiations continue

Allawi's Opposition to Power-sharing with Maliki Softening:

- **Ayad Allawi suggested in an interview on October 7 that he could restart power-sharing talks and join Prime Minister Nuri al-Maliki in a power-sharing deal if several conditions are met. Specifically, he required that all top posts, including prime minister, be negotiable. Allawi also requested the devolution of prime ministerial powers, and plans to resolve internal borders and resource distribution between the central and provincial governments. Allawi noted that he was also still pursuing a parallel track to forming a new government without Maliki, and emphasized that he believes he could garner enough coalition partners to at least match Maliki's current numbers. In response to Allawi's statements, a member of the State of Law coalition, Adnan al-Sarraj, said that the premiership was non-negotiable and belonged to Maliki.**

Demonstrators Demand Formation of a New Government:

- **On October 8, demonstrators gathered in locations throughout Iraq, demanding the formation of a unified government. The participants also demanded basic services and stressed that constitutional violations must be stopped. The demonstrators offered two options: either form a new government, or hold new elections. A massive sit-in was held at al-Firdows Square in Baghdad and similar demonstrations took place in Basrah and Karbala.**

POLITICAL – Governance & Legislation

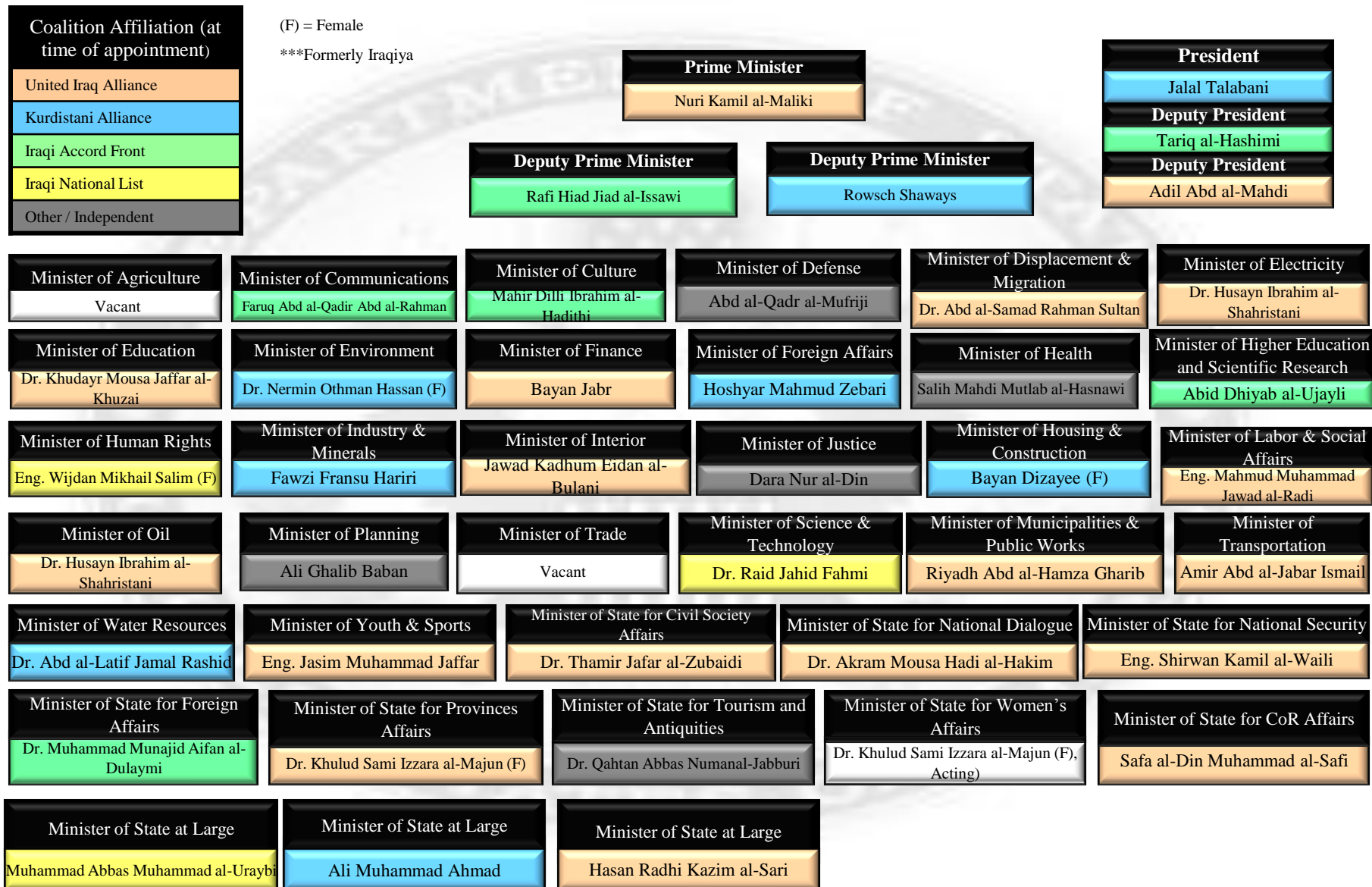


Government formation negotiations continue

Regional Leaders Urge Iraqis to Form a New Government:

- **On October 11, leaders throughout the Middle East weighed in on Iraqi government formation and encouraged a faster negotiation process. President Jalal Talabani took part in the Arab-African summit in Libya, where regional leaders produced a final communiqué urging the same message. In a joint press conference in Damascus with Turkish Prime Minister Recep Tayyip Erdogan, Syrian President Bashar al-Assad emphasized that “it’s natural to give priority to the Iraqi issue,” while Erdogan urged Iraqi leaders to form a government as soon as possible. KRG President Massoud Barzani discussed government formation with Turkish Foreign Minister Ahmet Davutoglu, where he underlined the importance of forming a balanced government that includes all Iraqi factions to strengthen security and stability in Iraq. Islamic Supreme Council of Iraq leader Ammar al-Hakim reviewed recent political developments pertaining to government formation with Egyptian President Hosni Mubarak on October 12.**

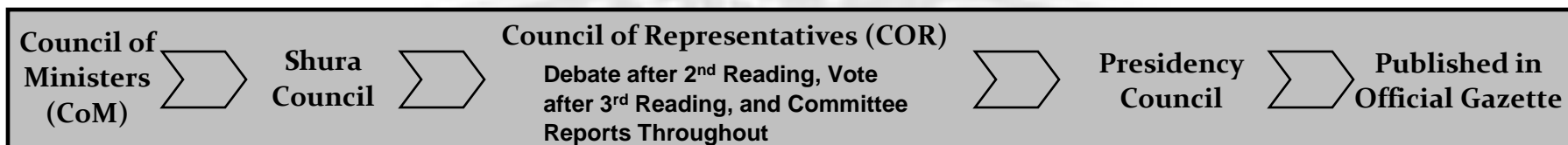
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law, approved March 3, will regulate the operations and funding of Non-Governmental Organizations operating within Iraq.

POLITICAL – Refugee Update

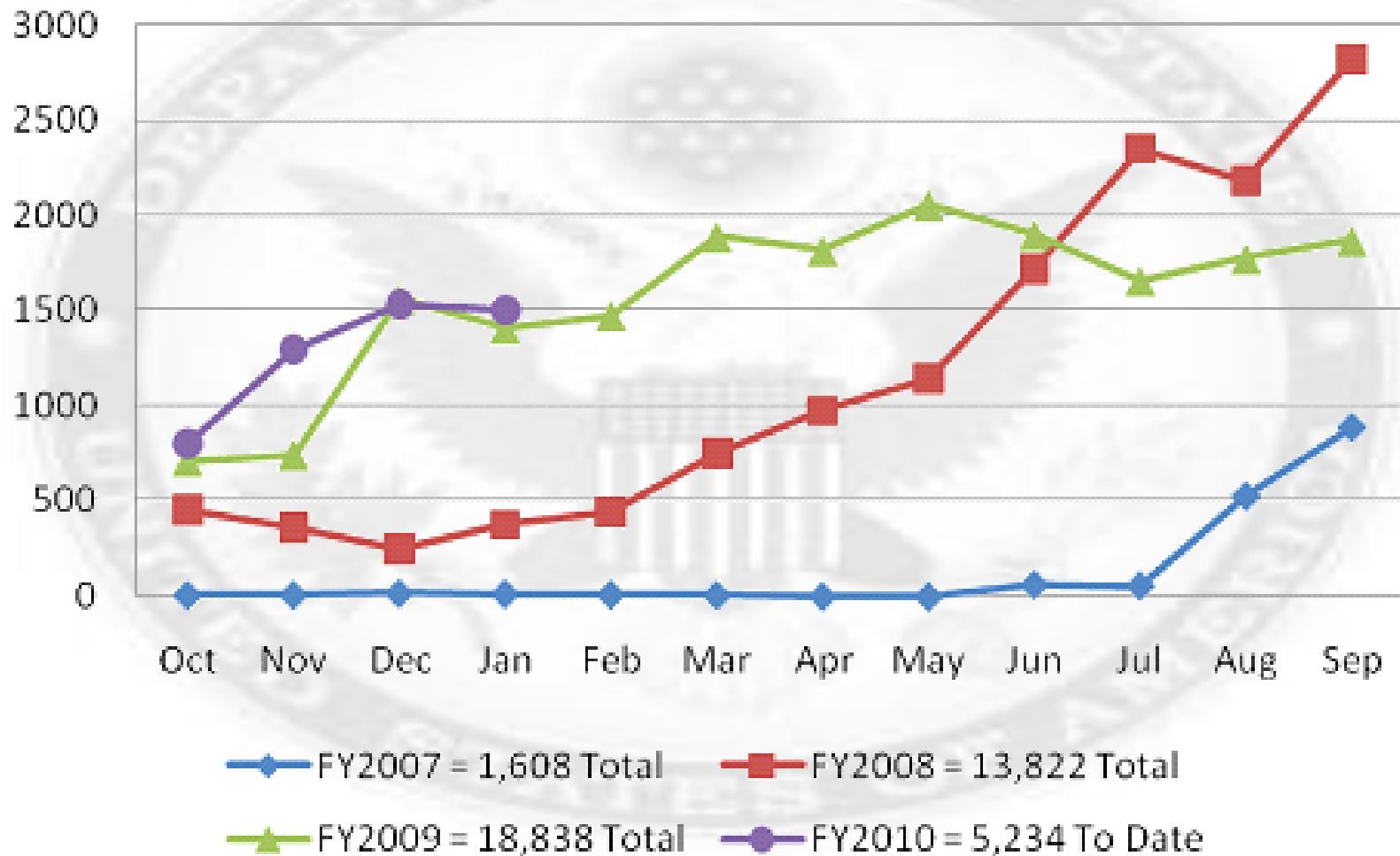


- **There are almost 229,000 Iraqi refugees currently registered with the UN High Commissioner for Refugees (UNHCR) in neighboring countries and an undetermined number of unregistered refugees. UNHCR reports that 1.5 million Iraqis remain internally displaced due to sectarian violence following the Samarra Mosque bombing of February 2006.**
- **Since the beginning of 2008, some 464,000 Iraqis have returned to their neighborhoods in Iraq. The majority of the Iraqis returning were internally displaced persons.**
- **In FY09, the U.S. Government contributed \$387 million to international and non-governmental organizations to assist Iraqi refugees, internally displaced, and conflict victims.**
- **Since the program's inception in FY07, 50,563 Iraqi refugees have been admitted to the U.S. for resettlement.**
- **As of September 2009, a total of 1,143 Special Immigrant Visas (SIVs) have been issued for Iraqi translators and interpreters (and their dependents) since FY07 (under the Section 1059 program).**
- **As of September 2009, a total of 1,716 SIVs have been issued for Iraqis employed by the U.S. government (and their dependents) since FY08 (under the Section 1244 program).**

POLITICAL – Refugee Update



Iraqi Admissions to the U.S.



SECURITY – Situation Update



Government of Turkey extends mandate for military action against PKK in northern Iraq

Mandate for Military Action against PKK in Northern Iraq Approved by Turkish Parliament:

- **On October 12, the Parliament of Turkey approved the extension of a mandate for the Turkish military to operate in northern Iraq against the Kurdish Workers' Party (PKK). The Government of Turkey had submitted a motion for the extension on October 6, as the mandate was set to expire on October 17. Iraq's army Chief of Staff, Babakir Zebary, told Rudaw news agency on October 5 that the Turkish government would have to work with the Kurdish Regional Government (KRG) in order to successfully operate against the PKK in northern Iraq.**

ECONOMIC – Oil



Crude oil average closing prices

Price averages in world markets closed with the following prices:

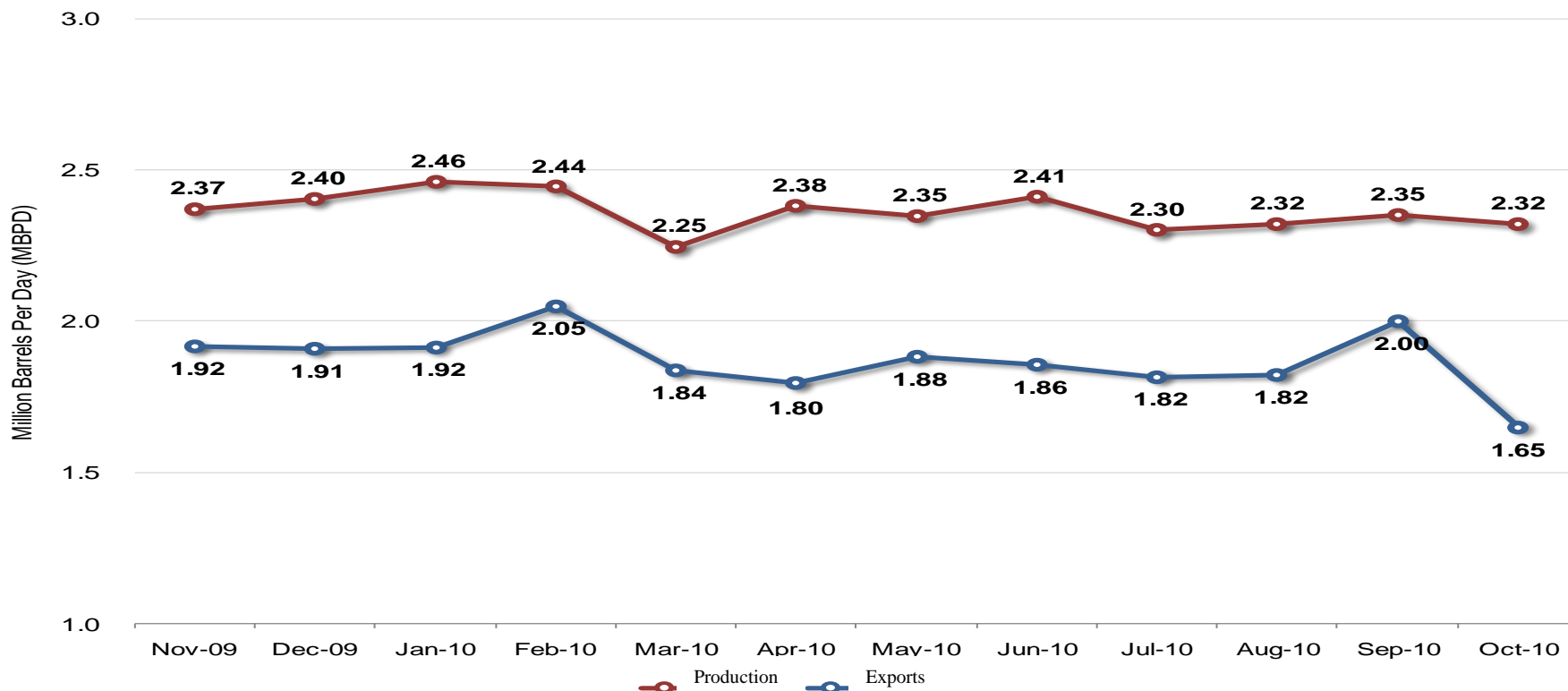
Basrah Light: \$82.35/barrel

Dated Brent: \$83.68/barrel

WTI Cushing: \$82.37/barrel

Oman/Dubai: \$80.67/barrel

Iraq Crude Oil Production and Exports



Iraq's Oil Revenue

2008: \$61.9 Billion

2009: \$39.2 Billion

2010 (ytd estimate): \$38.5 Billion

ECONOMIC – Fiscal and Monetary Affairs



GOI witnesses increase in tax revenue

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Debt Swap Bond Prices and Yields				
Price (USD)	\$87.54	\$86.18	\$85.84	\$64.50
Yield	7.06%	7.21%	7.25%	10.32%

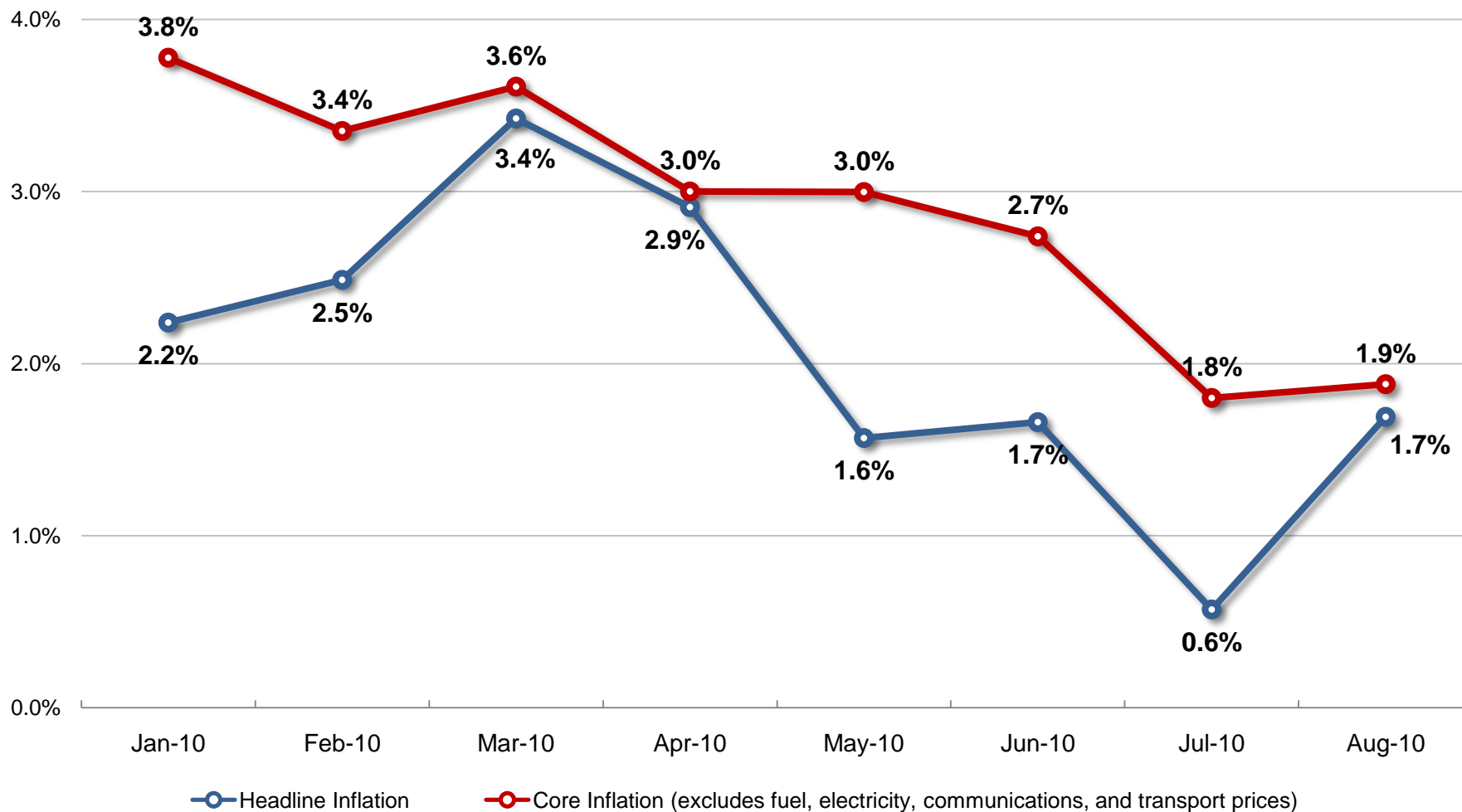
Foreign Contributions Help to Boost GOI Tax Revenue:

- On October 6, Iraq's General Commission for Taxes announced a 24% increase in 2009 from the prior fiscal year regarding collected tax revenue. Revenues totaled approximately 568 billion Iraqi dinars, which includes dues from foreign investors and non-oil companies operating in Iraq. The Commission expects another rise in tax revenues once Iraq's tax laws on oil companies, who currently receive special breaks, are restructured within the next three months.

ECONOMIC – Fiscal and Monetary Affairs



Iraq: Year-on-Year Inflation

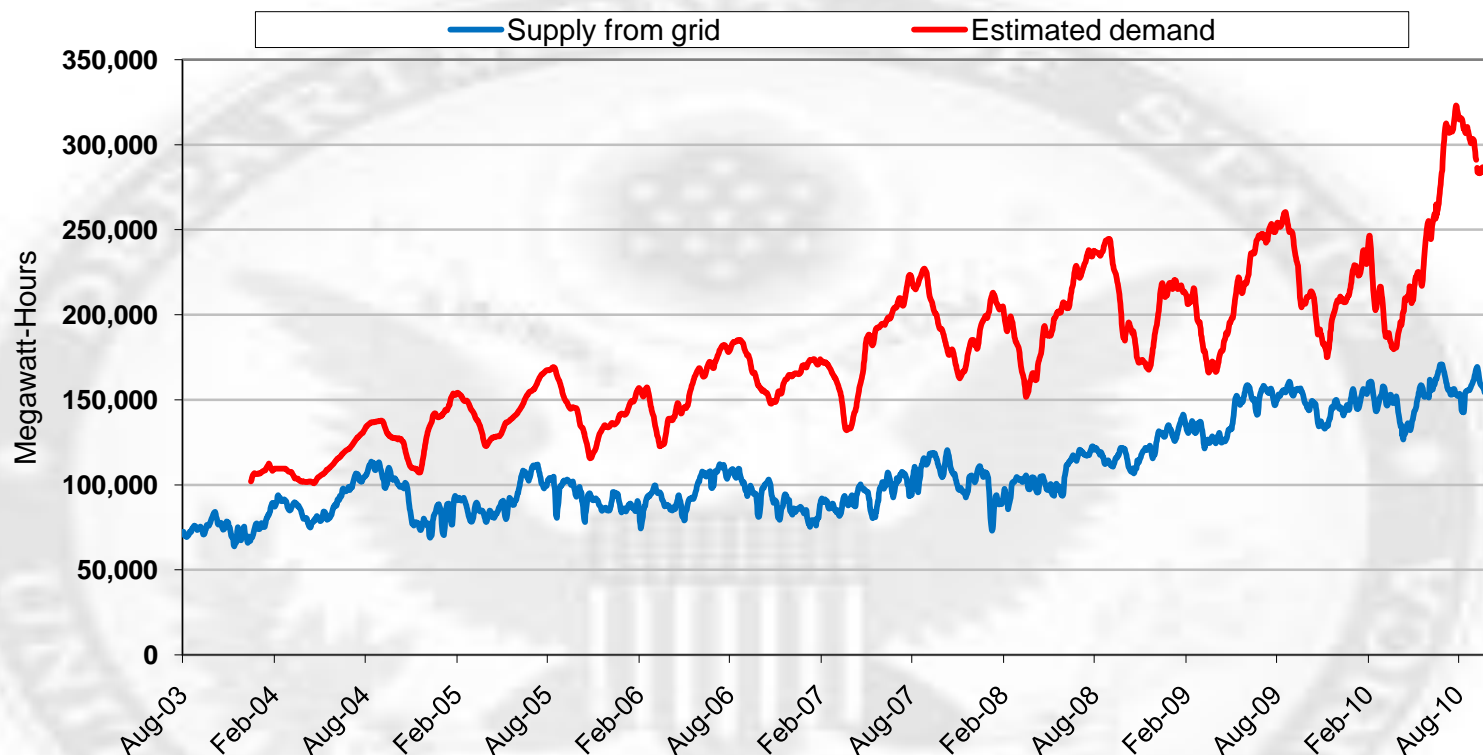


• In 2010, the Central Bank of Iraq began using a new Consumer Price Index. As a result, year-on-year inflation data prior to January 2010 cannot be directly compared.

Public Services – Electricity



Daily Electricity Supply from the Grid and Estimated Daily Demand



- October 6-12 supply from the grid was 8% above the year-earlier period and met 61% of estimated demand compared with 68% for the same period in 2009.
- Estimated demand is at its lowest level since mid-June but still is 20% above the same level last year. In evaluating such comparisons, it is important to recall that they are the product of a model; pervasive power interruptions make it impossible to measure demand directly.

ECONOMIC – Industry Spotlight: Engineering



Honeywell to employ both experienced and entry-level Iraqis in new Baghdad office

U.S. Engineering Firm Will Hire, Train Locals:

- On October 5, the U.S. firm Honeywell International announced its plans to open its first Iraq office in Baghdad and gradually expand to other parts of the country. Its branches will employ a combination of expatriates and local hires, including junior-level Iraqis trained in project management and engineering via Honeywell's "Junior Engineer Talent Program." Honeywell's parlay into Iraq was facilitated by the U.S. Department of Defense Task Force for Business and Stability Operations and the Iraqi National Investment Commission. Honeywell's president said, "we are committed to a full-scale presence in order to most effectively manage projects and build and nurture local relationships."

ECONOMIC – Private Sector



U.S. Department of Commerce hosts trade mission to Iraq; Iraq predicted to fall short of UN Millennium Development Goals

U.S. Trade Official Visits Iraq, Encourages American Firms to Invest:

- As the first American trade delegation to Iraq in three decades prepared to wrap up its visit October 7, delegation leader U.S. Under Secretary of Commerce for International Trade Francisco Sanchez encouraged U.S. investors to not delay getting into the Iraqi market. Sanchez arrived in Baghdad on October 4 with representatives of 14 U.S. companies, including General Electric and Boeing. “If they wait...until everything is in a nice neat order, then they're going to cede opportunities to businesses from other parts of the world,” Sanchez said, in reference to Iraq's massive reconstruction needs and relatively untapped consumer market.

Corruption, Infrastructure are Top Concerns for U.S. Firms Looking to Enter Iraq:

- One goal of the Department of Commerce Trade Mission was to match similar U.S. and Iraqi companies to serve their mutual benefit. During the trip, participants commented on the challenges that Iraq's regulatory climate poses to international companies seeking investment opportunities. Whereas physical security has somewhat diminished as a preoccupation, Under Secretary Sanchez noted that firms “remain more concerned about corruption, a still-evolving regulatory environment and a relatively underdeveloped infrastructure including transportation and telecommunications ... but progress is definitely being made.”

ECONOMIC – Oil



U.S. Department of Commerce hosts trade mission to Iraq; Iraq predicted to fall short of UN Millennium Development Goals

GOI Emphasizes Plans to Gradually Privatize State-Owned Companies:

- **Speaking at the Iraqi-U.S. Trade Mission in Baghdad, the chairman of Iraq's National Investment Commission reiterated the GOI's plans to begin a gradual privatization process. Over the next three to four years, its 200 state owned enterprises will be restructured into joint partnerships and most will be converted into fully private enterprises through equity sales within the next five to seven years. The chairman's comments were well-received by Iraq's engineers and by the Iraq Stock Exchange (ISX) chief executive, who has advocated for strengthening shareholder value, incentivizing private enterprise through tax breaks, and creating a transparent Iraqi financial market since he began running the ISX in 2003.**

Iraq Analysts Cite Private Sector Development as Key to Economic Development:

- **Iraq's Deputy Minister of Planning told Radio Free Europe that Iraq will be able to meet roughly 75% of its UN Millennium Development Goals (MDG) by the 2015 milestone. His comments follow a World Bank report that predicts that all Middle East countries, with the exceptions of Iraq and Yemen, "stand to meet or narrowly miss most the [MDG] targets." In response, a member of the Central Bank of Iraq advisory panel called the World Bank report an "incentive" for Iraq to re-strategize its central planning activities, including carving a clearer role for private sector enterprises in helping Iraq to achieve its development goals.**

DIPLOMATIC – Political Engagement



Iraqi regional and international reintegration

U.S. Ambassador to Iraq Meets with Foreign Minister:

- **Iraqi Foreign Minister Hoshiyar Zebari met with U.S. Ambassador to Iraq James Jeffrey on October 5. During the meeting they discussed U.S.-Iraqi relations and the efforts being taken by the Iraqi government to end the provisions of UN Chapter VII sanctions imposed during the Saddam-era. They also discussed matters relating to disarmament, weapons of mass destruction, the Oil for Food program and Iraq's significant progress in strengthening relations with Kuwait. Zebari assured Jeffrey that the new Iraqi government will be able to fulfill its remaining international obligations in a short period of time.**

Baghdad and Beyond



Windmill on FOB in Iraq

Karbala

Dhi Qar

“...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services.”

President Barack Obama

Recent Highlights

Recently, the PRT awarded electricity-generating windmills to 20 farmers in the Karbala region whose farms are not currently connected to the electrical grid. This project serves as part of PRT Karbala's broader capacity-building efforts, in conjunction with local Iraqi community leaders, to transfer technology and knowledge to the agriculture sector.

A five-day human resources advanced training course was held for 24 participants of the Ministry of Municipalities and Public Works. Sponsored by USAID and Tatweer, the course addressed human resource management, organizational charts, procedural steps for job analysis, employee evaluation techniques, and job description and classification according to Iraqi Civil Service law.



CONTACT INFORMATION

This brief draws from multiple sources. References are cited on the following pages.

For additional information, please see:

- **Department of State, Section 2207 Report on Iraq Relief and Reconstruction**
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- **Department of State, Section 1227 Report on Iraq**
<http://2001-2009.state.gov/p/nea/rls/rpt/>
- **Department of Defense, Section 9010 Measuring Stability and Security in Iraq**
http://www.defenselink.mil/home/features/Iraq_Reports/index.html

Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



NOTES AND SOURCE CITATIONS (1 of 2)

Slide 4:

- Wall Street Journal, October 8, <http://online.wsj.com/article/SB10001424052748704696304575538284084915178.html>
- Aswat al-Iraq, October 8, <http://en.aswataliraq.info/?p=137730>; Aswat al-Iraq, October 8, <http://en.aswataliraq.info/?p=137728>

Slide 5:

- Aswat al-Iraq, October 12, <http://en.aswataliraq.info/?p=137853>; Aswat al-Iraq, October 11, <http://en.aswataliraq.info/?p=137835>; Aswat al-Iraq, October 11, <http://en.aswataliraq.info/?p=137831>; Aswat al-Iraq, October 11, <http://en.aswataliraq.info/?p=137826>

Slides 6-9:

- Department of State, NEA Political Section, NEA-I-POL-DL@state.gov

Slide 10:

- AP, October 12, http://news.yahoo.com/s/ap/20101012/ap_on_re_eu/eu_turkey_kurds; Hurriyah Daily News, October 6, <http://www.hurriyetdailynews.com/n.php?n=gov8217t-submits-motion-to-attack-on-pkk-in-iraq-2010-10-06>; Rudaw, October 6, <http://www.rudaw.net/english/news/iraq/3203.html>

Slide 11:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov

Slide 12:

- Department of State, NEA/I Iraq Policy and Operations Group, NEA-I-IPOG-DL@state.gov
- AP, October 4, <http://www.businessweek.com/ap/financialnews/D9IKOMN00.htm>; BBC News, October 4, <http://www.bbc.co.uk/news/business-11468209>

Slides 13-14:

- Department of State, NEA/I Economics Section, NEA-I-ECON-DL@state.gov



NOTES AND SOURCE CITATIONS (2 of 2)

Slide 15:

- AP, October 5, <http://www.businessweek.com/ap/financialnews/D9ILKT9O0.htm>; Aswat Al-Iraq, October 6, <http://en.aswataliraq.info/?p=137647>

Slide 16:

- Washington Post, October 7, <http://www.washingtonpost.com/wp-dyn/content/article/2010/10/06/AR2010100607002.html>
- Reuters, October 5, <http://abcnews.go.com/Business/wireStory?id=11805817>; CNN International, September 30, <http://edition.cnn.com/2010/WORLD/meast/09/30/us.iraq.trade.mission/>; www.trade.gov/iraq

Slide 17:

- Financial Times, October 7, http://www.ft.com/cms/s/2/d0b9b9fe-d1e1-11df-965c-00144feabdc0,dwp_uuid=e8477cc4-c820-11db-b0dc-000b5df10621.html
- Radio Free Europe/Radio Liberty Iraq, October 8, http://www.rferl.org/content/Iraq_Official_UNs_Development_Goals_Wont_Be_Reached_On_Time/2184928.html

Slide 18:

- Ministry of Foreign Affairs, October 5, <http://www.mofa.gov.iq/english/news/display.aspx?newsid=9396>

Slide 19:

- Source for Stories: Embassy of Baghdad LOO Weekly Update, Executive Summary, 10/3/2010
- Source for President Obama's Quote: http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/
- Source for Photograph: http://www.usf-iraq.com/?option=com_content&task=view&id=19204&Itemid=1